

The Queen Elizabeth II Conference Centre
Annual Report and Accounts 2017–18





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Presented to Parliament pursuant to Section 4(6) of the
Government Trading Funds Act 1973 as amended by the
Government Trading Act 1990

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Chief Executive's Statement

I am delighted to be able to report that the Queen Elizabeth II Conference Centre (the Centre) has delivered to the Ministry of Housing, Communities and Local Government (MHCLG) its most successful financial performance since its opening in 1986. The 2017/18 financial year achieved a turnover figure of £14.29m, an increase of £2.76m (24.0%) on the previous year. This has also once again resulted in the delivery of a significant surplus from its operations of £3.001m, an increase of £1.52m (102.6%) on the previous year.

In addition, the Centre has continued to be most successful in achieving industry awards, having won an impressive nine individual awards during 2017/18. These included; Venue Team of The Year, Best Venue Customer Service (over 500 attendees) and Best Conference Venue (over 750 theatre).

Forward bookings continue to show a significant improvement when compared to the equivalent position last year. Confirmed bookings for the next financial year, 2018/19, are particularly strong with the position at the end of September 2018 being almost £1.40m ahead of advanced bookings for the following financial year twelve months ago.

Turnover for 2017/18 of £14.29m was based on room hire of £7.01m with occupancy reaching 62.1% versus a target of 57.0%. During the year, 610 meetings and events were held. Those events were across a wide spectrum of clients including national and international associations, corporate bodies and not for profit organisations including government and charities.

Following the success achieved in 2017/18 the Centre recommissioned an independent study to update the economic benefits accruing to the UK economy that the business generates. The latest assessment concluded that in 2017/18 the Centre's business generated a total gross UK expenditure of £318m, a 61% increase since 2013/14; creating a Gross Value Added (GVA) economic contribution of £145m, a 64 % increase since 2013/14. Alongside the economic contribution in 2017/18 the Centre also supported 3,728 FTE jobs, a growth of 46% since 2013/14.

The Transforming Together programme, initiated at the end of 2014/15, has continued to progress throughout 2017/18. Staff and contractors at all levels are involved in driving improvements throughout the business. The programme covers four key areas: systems and processes; people; building; versatility and communications.

The Centre has continued to invest in the facilities and fabric of the building. During the past year, improvements have included: a site-wide CCTV system which has improved security and operational delivery; lighting replacement that has driven savings in electricity consumption; commencement of our events and finance system (EBMS) upgrades, with consultation and training to leverage better and smarter working. In addition, the Centre has further updated wireless access points, fibre cabling and networking infrastructure, to ensure that the Centre continues to offer stable and ultrafast internet access of the highest quality.

There continues to be interest expressed by Parliament, resulting in coverage in the press, regarding the Centre's involvement in future plans for the restoration of the Palace of Westminster. Debates have taken place in the House of Commons and Lords in January and February 2018 in which the Centre was named as a possible decant site for the House of Lords. It is important to be clear that this has not been confirmed and the final choice of venue will be subject to Parliamentary and Government approval, which is several years into the future. In the meantime, the Centre continues to trade normally with a "business as usual" approach and is planning future investment to build on its continuing success.

Once again, I would like to pay tribute to the Centre's team, including our contractors, who collectively continue to provide high quality services to our clients and operate the facilities in a very cost-effective manner enabling the Centre to return trading and operating surpluses ahead of expectations.

During the year the Centre bid a fond farewell to John French, Finance Director, who retired after 10 years of distinguished and loyal service. The Centre's team were most saddened by the untimely passing of the incoming Finance Director, Mark Longford, after just under 12 months of dedicated commitment in the role.

The business continues to focus on delivering a first-class service to the Centre's clients, through establishing successful client partnerships and delivering creative, professional and innovative events. Our aim is to continue to be London's finest specialist events venue with a global reputation for excellence.

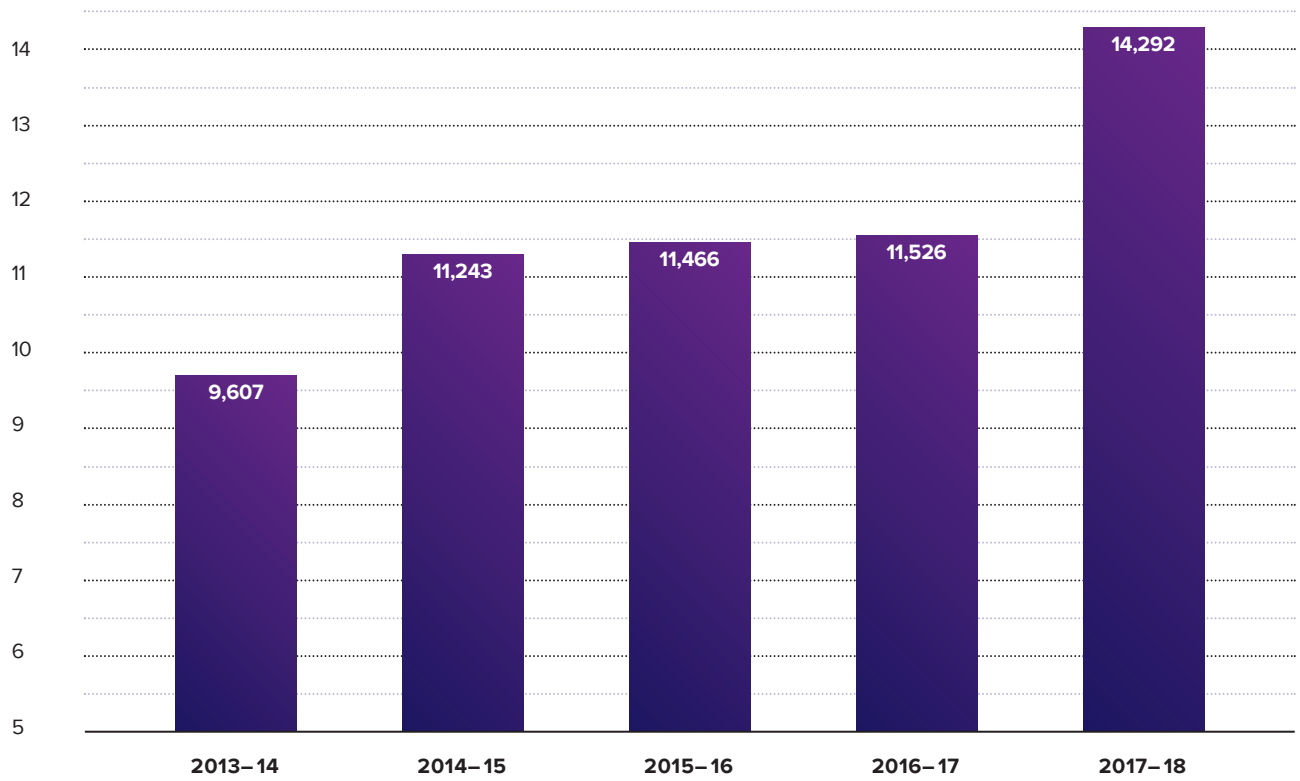


Mark Taylor
Chief Executive

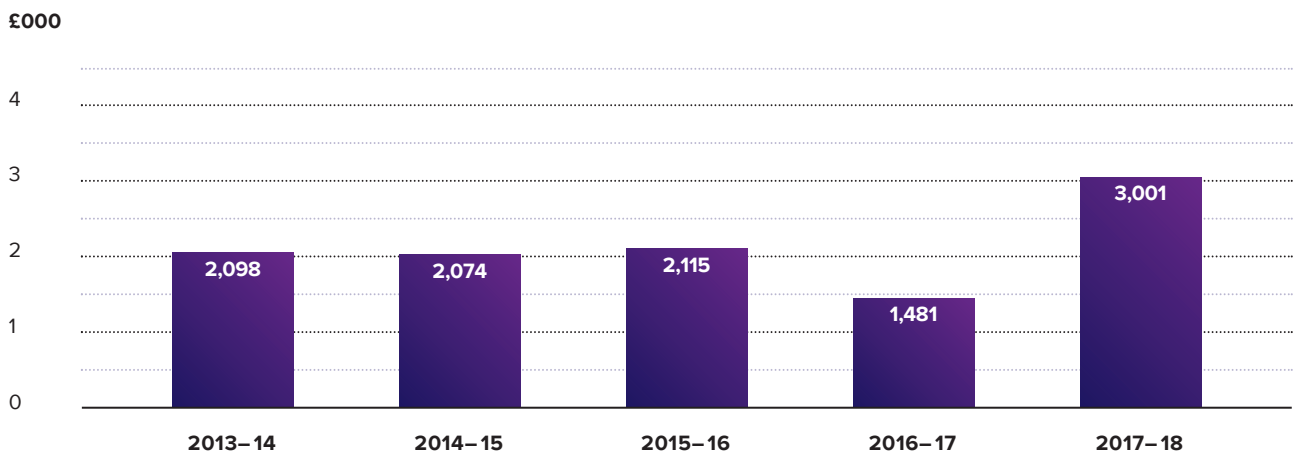
5 year record of turnover and surplus

TURNOVER

£000



REPORTED SURPLUS ON ORDINARY ACTIVITIES



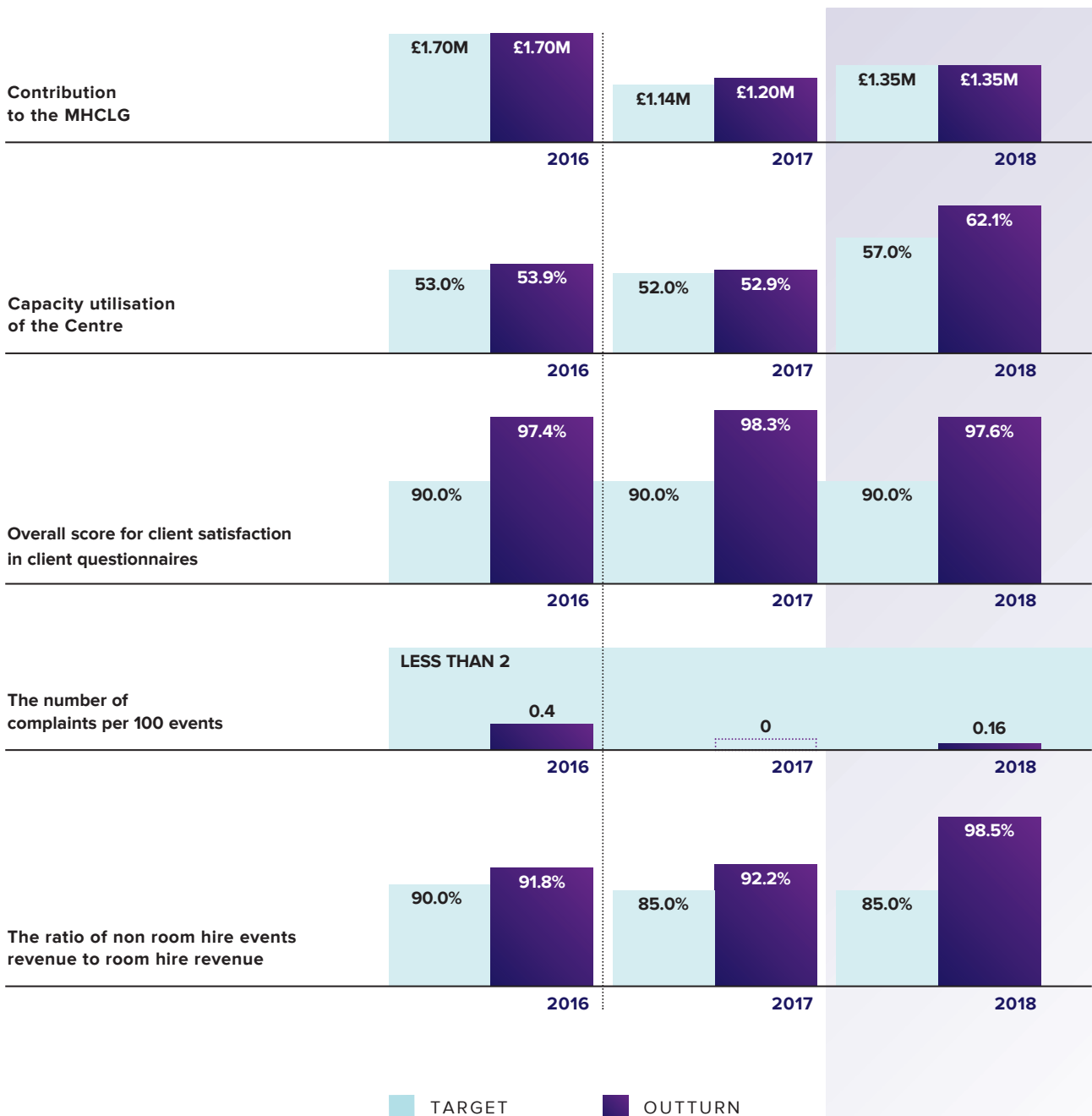
Performance analysis

METHODS OF MEASUREMENT

Capacity utilisation of the Centre is the relationship between the annual room hire revenue and a theoretical annual maximum expressed as 241 days hire of the whole Centre in a leap year and 240 days in a normal year.

The overall score for client satisfaction is the calculated average of responses to a specific question in the client questionnaire that accompanies each event. Expressions of overall client satisfaction are scored as 100 per cent and expressions of dissatisfaction are scored as 0 per cent.

3 YEAR RECORD OF PERFORMANCE AGAINST TARGETS



Overview

1. History and Principal Activities

The Queen Elizabeth II Conference Centre (the Centre) was opened by Her Majesty the Queen in 1986. Trading Fund status was granted on 1 April 1997 under the Government Trading Funds Act 1973. Its role is to provide conference facilities for national and international meetings at the highest level and to market its facilities commercially as a high-quality venue for both Government and private sector use. The Centre continues to operate in the market place with the trading name, the Queen Elizabeth II Centre, which was introduced in 2014.

2. Development and performance during the financial year

2.1 Trading performance

Turnover in 2017-18 increased substantially to £14.29m, £2.76m (24.0%) over previous year. Room hire increased by 20.7%; QEII Live by 36.6%; QEII Taste by 19.3%; the IT sales unit by 23.1%; and from other conference activities by 3.2%. The proportion of secondary revenue from QEII Live, IT and QEII Taste room hire has increased from 92.2% to 98.5%.

Total costs were 12.4% higher than those in the previous year. Cost of sales were up £385k compared to 2016-17 reflecting the increase in secondary revenue of QEII Live of 36.6%.

Overheads were up £863k on the previous year. Staff costs increased by £255k. Depreciation had a significant increase over last year by £221k, reflecting our increased charge in relation to summer 2016 building work on 5th and 6th floors. Some other increases to note: maintenance £249k, sub-contracted services £114k, doubtful debts £128k, equipment hire £89k and other costs £79k. These overspends were offset by a major utilities decrease of £106k, due to energy efficient measures taken. The surplus on ordinary activities of £3.0m was £1.32m better than budget and £1.52m better than the previous year.

The Centre recommissioned an independent study to update the economic benefits accruing to the UK economy that the business generated based upon the 2017/18 results. The latest assessment concluded that in 2017/18 the Centre's business generated a total gross UK expenditure of £318m, a 61% increase since 2013/14; creating a Gross Value Added (GVA) economic contribution of £145m, a 64 % increase since 2013/14. Alongside the economic contribution in 2017/18 the Centre also supported 3,728 FTE jobs, a growth of 46% since 2013/14.

2.2 Capital structure

The amount of Public Dividend Capital remains unchanged at £821k. A dividend payment of £1.35m was made to MHCLG which resulted in a retained surplus of £1.65m and increased the General Reserve at 31 March 2018 to £13.09m.

2.3 Cash management

Cash balances increased by £3.11m in the year principally as a result of the greater revenue generated. Suppliers' invoices were paid in accordance with CBI guidelines, within 30 days from the delivery of goods or services or, if later, receipt of an agreed invoice. Credit control measures were effective in limiting exposure to the risk of bad debts.

2.4 Non-current asset management

All fixed assets were checked in March 2018 to confirm that they are still in good condition and relevant to our business. Those assets not meeting these criteria have been sold or scrapped. Depreciation rates are influenced by the speed with which assets become outdated by changes in technology and client requirements.

3. Performance against targets

A payment to MHCLG of £1.35m met our financial target. The occupancy level achieved was 62.1% which is above the target of 57.0%. The occupancy level is measured by reference to the theoretical maximum annual room hire revenue. The ratio of non-room hire events revenue to room hire revenue was 98.5% which exceeded the target of 85.0%. The two other quality of service KPIs were exceeded. A more detailed report of performance against targets can be found on page 4.

4. Trends and factors affecting underlying performance during financial year

4.1 The market in which we operate

The conference and meetings market are both local and international and are very competitive by nature. A wide range of facilities suitable for hosting conferences is available from large purpose-built conference centres in major cities to single rooms in institutions and hotels, with new and additional capacity regularly coming on stream.

The Centre can accommodate large conferences either alone or as part of a London syndicate and small to medium sized events in rooms that can be let singly. It enjoys a prestigious location facing Westminster Abbey and close to Whitehall, the Houses of Parliament and the London Eye.

The products and services offered by the Centre target sections of the market that value quality, reliability, security and the latest technology. Its competitive advantage is enhanced by its partnership with Compass/Leith's (QEII Taste), whose reputation for quality catering and excellent service is widely recognised. The Centre is an ideal venue for large conferences, with or without an associated exhibition, and for annual general meetings and gatherings of international organisations. It also continues to compete successfully for a diverse range of other events including award ceremonies, banquets, receptions, product launches, fashion shows and other special events.

4.2 Market conditions

During tough trading conditions, the Centre has excelled over 2017–18 with advance booking levels ahead of the same position last year and occupancy has exceeded target at 62.1%. The levels of secondary revenue achieved have been extremely strong with the ratio of secondary revenue to room hire rising to 98.5% compared to 92.2% in 2016–17. A very strong performance from QEII Live and QEII Taste has been a significant factor in achieving this. Government spending controls have continued to have an adverse impact on traditional levels of business from that sector. Encouragingly, advance bookings at the start of the year for 2018–19 are significantly ahead of those one year ago for 2017–18.

4.3 Management of principal risks

A Risk Register of potential risks has been maintained by Management and is discussed at quarterly meetings of the Risk Management Working Group. Risk is also on the agenda of the bi-monthly Directors' Meetings. The purpose is to evaluate the potential impact of these risks on profitability, to determine what controls are in place to minimise each risk and to propose additional control measures where appropriate. New risks identified are evaluated and added to the Risk Register with appropriate remedial actions. Activity is monitored by the Audit and Risk Assurance Committee which is chaired by a non-executive director. The key risks facing the business are reported in the governance statement.

4.4 Centre strengths and resources

The Centre's principal strengths are its location and the quality of its facilities and services. Its principal resource is the considerable experience, expertise and professionalism of its staff and of its on-site contractors. Analysis of client feedback questionnaires confirms that the Centre is preferred mainly because of the quality of service provided, whether it be the creativity of QEII Tastes' cuisine, the flair of the QEII Live team, the attentiveness of our event managers or our flexibility in dealing with changing circumstances.

5. Trends and factors affecting future performance

5.1 Strategy

The strategic aim of the Centre is to meet the financial objectives of the Trading Fund Order. Following the government's decision in December 2011 that the Centre would continue to manage its business, through the appointment of a new CEO, there has been a thorough review of the Centre's business strategy. To this end the Centre has established itself as the finest specialist events venue in London with a global reputation for excellence, successful client partnership working and the delivery of creative, professional and innovative events. Its corporate priorities anticipate a growth in clients' expectations of the quality and range of available services, and the use of leading-edge technology. Integrated commercial, operational, financial and HR strategies are updated annually in the light of past performance and perceived changes in market conditions.

5.2 Objectives

The broad operational objective of the Centre, as set out in its Framework Document, is to achieve best value for money in operating the venue as a high-quality facility for use, on a commercial basis, by private sector and government clients for national and international events.

Its specific objectives are to further strengthen commercial performance by optimising use of the Centre, to maximise revenue from room hire and the sales of ancillary services, to maintain the interior of the building and its services consistent with a high-quality venue and to ensure that all staff members are properly trained, well-motivated and have opportunities to develop their full potential.

5.3 Building enhancement

Due to a period of limited investment in the facilities of the Centre in the past, there is an ongoing requirement for significant capital investment in the fabric and facilities of the building. Substantial investment has been made over the last five financial years totalling in excess of £13m. This investment continued in the building and its facilities during the course of 2017–18. A site-wide IP CCTV system was installed which has improved security and venue operations. Over 500 fluorescent lamps were replaced with PIR LED luminaires which improved emergency lighting and has driven savings in electricity consumption of over 35.0%. In addition, all three cooling towers were refurbished, car park gates and barriers were replaced, and improvements were made to one of the core goods lifts and the Centre's fire system. Wireless access points, fibre cabling and networking infrastructure were also updated and upgraded to ensure the Centre continues to offer stable and ultrafast internet access of the highest quality.

5.4 Competitive facilities

Market conditions have ensured that a high level of competitiveness remains, and pricing policies have been aggressive against all competitors. Management are determined to ensure that the Centre remains competitive without compromising standards and its position in the market place.

5.5 Trading outlook

The market overall continues to be very competitive. The Centre's levels of advanced bookings indicate signs of continual and sustained growth over the corresponding periods in the previous year. Confirmed bookings for the next financial year, 2018/19, are particularly strong with the position at the end of September 2018 being almost £1.40m ahead of advanced bookings for the following financial year twelve months ago.

2018–19 is therefore already shaping up to be a strong financial year with a good mix of business and improved occupancy ratio levels. Secondary revenue from QEII Taste, IT and QEII Live services continue to make a significant contribution. The economic and business uncertainty of the UK's withdrawal from the European Union is of increasing concern to the UK meetings industry sector, which although to date has not had a known impact on the Centre's trading, is a noted potential future trading risk.

6. Environmental, social and community issues

6.1 Recycling success

The Centre is committed to the “Greening Government Initiatives 2016–2020” on waste management. Key targets include waste to landfill less than 10% and an overall reduction on waste generated. In 2017–18 the Centre met both these targets.

	2017–18	2016–17	(2015–16)
Recycled	34%	21%	
Composted	26%	43%	
Diverted Energy From Waste	32%	15%	
Landfill	8%	21%	
Waste Generated (tonnes)	194	215	290

The Centre is committed to continual improvement on sustainability and waste management. Previous reports showed “Recycling” only for all waste management as the breakdown by category, per above, was not available.

6.2 Energy efficiency

The Centre has an active programme to reduce its consumption of electricity and gas. During 2017–18 the combination of investment and a continued sustainability awareness programme has reduced electricity consumption by 35.0% and energy cost by £118k (21.0%).

6.3 Sustainability Reporting

The Centre is exempt from producing a sustainability report on the basis that its headcount is below the 250 threshold.

7. Accounts Direction

This statement of accounts has been prepared in accordance with a Treasury direction, dated 19 December 2016, given in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973.



Mark Taylor, Chief Executive
5 November 2018

Accountability Report

DIRECTORS' REPORT

1. Management Board

The following served as members of the Management Board during the year.

Mark Taylor	Chief Executive
Alison White	Non-executive
Simon Hughes	Non-executive
John French (retired 12th January 2018)	Finance Director
Mark Longford (appointed 16th October 2017)	Finance Director
Raj Pragji	H.R. Director
Diane Waldron	Sales & Marketing Director
Anna Clover	Director Venue Operations & Customer Experience

No Directors have outside interests that conflict with their management responsibilities.

2. Employee Involvement

The Centre is committed to improving the quality of service it provides to clients and delegates through the involvement and development of its staff, consistent with its Investor in People accreditation. This was renewed in January 2017 with the achievement of a silver rating which is valid for a further three years. It maintains regular contacts with managers and staff through circulars and forums and through consultation with trade union representatives. Employees participate in a group bonus scheme based on the surplus for the financial year.

3. Policy in Relation to Employment of People with a Disability

The Centre operates a policy of full and fair consideration to applicants with a disability, having due regard to their individual aptitudes, skills and capabilities.

4. Pension Scheme

Staff are eligible to join the Principal Civil Service Pension Scheme. The accounting policy on pension costs can be found in note 1.11 of the Financial Statements and information on the Scheme can be found in note 4 to the Financial Statements.

5. Value of Property

MHCLG holds title to the land and building. MHCLG commissions a valuation of the property on an annual basis and the valuation at 31 March 2018 was £38m.

6. Auditor's remuneration

The Comptroller and Auditor General is appointed auditor under the provisions of the Government Trading Funds Act 1973 and reports his findings to the Houses of Parliament. The cost of the audit of the accounts is £40,000 (2017: £37,000). No other services were provided.

7. Operational performance

The average absence from work during the year due to sickness was 3.6 days per employee (2017: 3.3 days). The above figure does not include a member of staff who was on long term sick leave.

8. Personal Data Incidents

There were no personal data related incidents during the year.

9. Countering fraud, bribery and corruption

The Centre has comprehensive fraud and whistleblowing policies and processes in place.

10. Changes in Property, plant and equipment

Changes in property, plant and equipment are summarised in note 7 to the Financial Statements.



Mark Taylor, Chief Executive
5 November 2018

Governance statement

As Accounting Officer, working with the Centre's Management Board, I have responsibility for maintaining effective governance and a sound system of internal control to underpin the achievement of the strategic objectives of the Trading Fund. The key strategic objectives are to optimise commercial revenues from effective operations of the Centre and to achieve targets set by government including the payment of a dividend to MHCLG.

This statement sets out the key challenges faced by the Centre, the risks identified and under active management, and the control and assurance processes in place to mitigate these risks.

The Advisory Board, chaired by the MHCLG Finance Director, supports the Permanent Secretary in providing advice to the Secretary of State and Ministers as appropriate in respect of the regime of corporate planning and target setting. The Advisory Board met twice during 2017–18 and has overseen a financial year where operating surplus exceeded target by 112.0% and the consistent achievement of dividend targets for the past 13 years.

The Audit and Risk Assurance Committee, in conjunction with the Internal Auditors, supports the Management Board and me (as Accounting Officer) in its responsibilities for risk management, control and governance within the Centre. There is also in place a proportionate structure of committees where accountability has been devolved to ensure decision-making is conducted appropriately.

Key risks to Centre

At the time of signing this annual report the core trading risk facing the business continues to be the uncertainty created by the publicity regarding future plans for the restoration of the Palace of Westminster and the role that the Centre might have in those plans. Debates by both Houses of Parliament in January and February 2018, affirmed a preference that a full decant should take place if and when the restoration plans are approved in the future.

Although a final decision has not been taken, the naming of the Centre in the debates as a potential decant venue has resulted in media and client speculation and confusion around the possible closure of the Centre and the timings of such a change. This speculation about the future of the Centre presents a significant risk to the business and the Centre's future trading levels particularly with respect to bidding for, and winning events in future years. Although the Palace of Westminster restoration project decision is some years away the implication of a decision to proceed with a full decant is that the Centre would potentially be closed for a number of years. However, in the meantime, the Centre is advised to continue to trade as normal and to further invest in maintaining and delivering world class facilities and services.

The other trading risk to note is that the economic and business uncertainty of the UK's withdrawal from the European Union is a point of concern to the UK meetings industry sector. However, to date this has not had any known or quantifiable impact on the Centre's trading performance.

The Centre is one of a consortium of government buildings that are party to a total facilities management (TFM) contract. The contract was due to finish on 31st March 2017 but was extended a further 12 months to 31st March 2018 whilst the procurement process for the new contract was completed. This gave additional time for the Centre to bring on board the new providers and deliver the best possible handover of knowledge from old provider to new.

In previous years, it has been noted that maintaining adequate staffing levels with appropriate skill sets has been a significant risk for the business. The Centre has been able to reduce that risk by obtaining approval for increased headcount and through restructuring, the operational department has been able to address immediate issues surrounding staff retention and skill sets.

The Risk Management Process

At the heart of the risk management process is an integrated system of long-term planning, allocation of responsibilities and budgetary control. The Centre's business and corporate plan (BCP) has, in the past, been prepared and approved annually with a three-five-year horizon, taking into account the risks and opportunities facing the Centre and charting the probable course of trading income, capital investment, and human and financial resources.

The Centre's business plan was originally prepared for March 2017. The plan was subsequently reviewed in the light of a successful outturn to FY 16/17 and the level of trading for the first 6 months of FY 17/18. As a result, the plan was revised to reflect revised targets for FY 17/18 with an increased dividend and Ministerial approval was obtained in November 2017. Planning in the last few years has been difficult due to the Palace of Westminster restoration programme generating uncertainty in the market place over the future of the Centre. Considerable senior management time has again been focused on the potential implications for the business and this has undoubtedly continued to cause some distraction from managing the day to day operations of the business.

Responsibility for delivering a specific section of the BCP is allocated to a Director or the relevant senior manager. Targets are set for the coming year and a plan is drawn up incorporating income expectations and suitable levels of cost to run the business effectively and contain risks at an appropriate level.

Directors allocate specific responsibilities, financial authority and budgets to the managers within their departments. As a result of the current economic climate, and in line with a prudent approach to financial management, close scrutiny of expenditure across all areas of the Centre's operations has been maintained during the year. Close monitoring of all expenditure is undertaken by all managers at regular intervals.

Directors and Managers supply regular reports on the management of risks in their areas of responsibility including progress reports on key projects. These procedures are assessed and overseen by a Risk Management Working Group (RMWG) and internal auditors. Strategic risk is also considered at the bi-monthly Directors' meetings, the Audit and Risk Assurance Committee and the Management Board.

Guidelines regarding data handling issued by the Cabinet Office are being adhered to and the appointment of a senior information risk officer (SIRO) is in place.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee met four times during 2017-18. It is an effective committee chaired by Alison White, an experienced independent Non-Executive Director and qualified accountant. The Audit and Risk Assurance Committee comprises two Non-Executive Directors and in attendance is the CEO, the Director of Finance of the Centre, the NAO, the government's internal auditors (GIAA) and a representative of MHCLG. The quorum was met for all meetings throughout the year.

The Committee oversees the risk management processes and regularly reviews the Centre's risk register.

Issues arising for which further executive consideration was encouraged included:-

- Implications of the proposed Restoration and Renewal of the Palace of Westminster project and its possible potential future impact on the business.
- Health and Safety Review of contractor and supplier compliance.
- Retaining and attracting staff of the necessary qualifications and skills due to restraint on pay and benefits.
- Cyber Security controls and procedure review.
- General Data Protection Regulation (GDPR) project leading up to compliance.
- The inclusion of the Centre as part of government's emergency contingency planning.
- Disaster and Recovery planning for business continuity.

Resources and organisation

The governance structure is organised so that decisions can be taken at the appropriate level. The main elements of the structure other than the Advisory Board and the Audit and Risk Assurance Committee referred to above are as follows:

- The **Management Board**, chaired by the Centre's Chief Executive, which comprises the executive and non-executive directors, meets at least six times a year, and is accountable for achievement of the strategic objectives and performance of the Centre. This board oversees the completion and approval of the Centre's business and corporate plan.
- The **Directors' meeting** brings together the executive directors on a bi-monthly basis to review, monitor and manage operational performance, to manage strategic risks, to ensure clarity of accountability and decision-making at the correct level to optimise performance.
- The **Business Performance Management** meeting brings directors and managers together on a quarterly basis to review business performance and strategy.
- The **Remuneration Committee** meets annually to review and approve the results of the performance appraisal process and the proposed allocation of the corporate bonus and the pay remit.
- The **Catering Strategic Board** meetings are held on a quarterly basis to govern the management of the Catering Contract with Compass/Leith's: this includes reviewing contract performance and joint strategies for growing the business. The CEO and Directors of Finance, Sales and Marketing and Operations are present at meetings with the caterers, who are represented via their onsite General Manager as well as the Divisional Director. A regular walk round with the Catering Manager, TFM Manager, and Director of Venue Operations and Customer Experience also takes place to ensure that all catering areas are being maintained to an appropriate standard.
- **Monthly Facilities Management Contract meetings** were held between the Centre's management and Interserve. These meetings continued when the new contract commenced in April 2018 with Kier and OCS being the providers and covers cleaning, portage, building maintenance, engineering and security. In addition, the CEO chairs a quarterly update meeting with the onsite contractor's management team and regional management.
- The **Health and Safety Committee**, chaired by the Director of Venue Operations and Customer Experience, meets quarterly and is attended by department representatives, including the TFM and catering contractors. Fire safety training for all staff occurs annually. A Business Continuity Plan is regularly updated, and table top rehearsals undertaken from time to time.
- A **Sustainability Committee**, chaired by the Building Operations Manager, has met during the year with attendance by representatives from each of the Centre's core teams as well as the TFM and catering contractors.

Corporate Governance

There are no significant departures from the HM Treasury corporate governance code to report for the period covered by this report.

System of internal control

The system of internal control is designed, inter alia, to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives. It can, therefore, provide reasonable but not absolute assurance of effectiveness. The system of internal control accords with Treasury guidance and has been in place for the full year to March 2018.

Internal Audit

During the year the internal auditors have submitted reports and management letter to the Audit and Risk Assurance Committee, prepared to Public Sector Internal Audit Standards, covering Finance Key Control Testing, HR Controls, Business Continuity Management and an advisory assurance on Audio and Visual Revenue Forecast. This year the internal auditor's overall opinion has been to give substantial assurance (green) for risk management, control and governance.

Significant internal control problems during the year

There are no internal control issues of significance to report for the period covered by this report. There have also been no information security breaches during the year.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Directors and Managers of the Centre who have responsibility for the development and maintenance of the internal control framework. My review takes into account comments made by the National Audit Office in their management letter and other reports. I have also been advised on the effectiveness of the system of internal control by the Management Board and the Audit and Risk Assurance Committee.

The Audit and Risk Assurance Committee reviews all reports from internal and external auditors, which include management responses and agreed remedial action, and receives a written report on the progress of implementing the agreed remedies. It also receives regular reports on risk from the Finance Director.

The quality of data that is presented to the Management Board and Audit and Risk Assurance Committee is high and provides sufficient information for them to properly exercise their duties. The Management Board receives reports throughout the year which include the following: annually – Centre's business plan, Board and ARAC terms of reference, Chair of ARAC report, risk register, Board development plan; quarterly – quarterly monitoring report, H&S minutes, risk update, catering trading performance. At every meeting a comprehensive report on the business, covering amongst others: trading, operations, sales & marketing and H&S, is presented.

The Audit and Risk Assurance Committee receives reports throughout the year which include the following: annually – Chair of ARAC and Centre's annual report, Board and ARAC terms of reference; bi-annually – NAO Audit Interim and Completion Reports; quarterly – GIAA Audits & Progress against plan, RMWG updates and Freedom of Information requests.

Various projects have been progressed to develop and continually refine the strategic direction for the business. The Transforming Together project, which aims to consolidate the outcome from these reviews and to drive improvements in the operation of the business, has continued with training and preparatory work, which will lead to the upgrade and enhancement of the Centre's management system, EBMS, in the coming year. A significant project has also been undertaken to meet our compliance with the General Data Protection Regulation. Investment in the building has had positive benefits with site-wide CCTV improving security and reducing reports of thefts and the updated lighting controls have reduced energy consumption. Improvements made by the updating of wireless points, fibre cabling and network infrastructure has meant that the Centre continues to lead and offer ultrafast internet access to our clients.

I am able to report that the boards, committees and formal meetings described above have provided me with appropriate advice and support to manage the business of the Trading Fund effectively and to produce a net surplus from operations ahead of target. This Trading Fund has a history of sound and prudent financial management, and as Accounting Officer I intend to do all I can to maintain this record of achievement.



Mark Taylor, Chief Executive
5 November 2018

Remuneration and Staff Report

Paragraphs 1 to 6 are not audited. Paragraphs 7 to 13 have been audited.

1. Membership of Remuneration Committee

The Remuneration Committee comprises Alison White, non-executive director and Chair of the Audit and Risk Assurance Committee, Simon Hughes, non-executive director, the Chief Executive, Sales and Marketing Director, Finance Director, Director Venue Operations & Customer Experience and HR Director.

2. Policy on remuneration of senior managers

The remuneration of the Chief Executive, comprising salary and bonus, is determined by MHCLG. Salaries of all other staff, including Directors and senior managers, are determined by a Performance Management Pay Scheme under which most receive a basic award, up to ten per cent receive an enhanced increase for high performance and non-performers receive no increase. In addition, all eligible staff, other than the Chief Executive, participate in a Corporate Bonus Scheme which is linked to the financial performance of the Centre.

3. Methods used to measure performance

Bi-annually staff are appraised against a set of competencies and individually targeted objectives.

4. Relationship between performance and remuneration

Apart from some small allowances, all remuneration is based on either individual performance or group performance.

5. Staff Resources

The Centre maintains a significant pool of technical expertise in the areas of engineering, audio-visual presentation, IT and telecommunications. Further technical support continued to be provided by MHCLG in respect of matters relating to the fabric of the building and by the contractors who operate building systems and facilities on the Centre's behalf.

In January 2017, the Centre was successful in renewing its Investors in People accreditation at an improved silver standard rating for a further three years and continues to apply those principles in the management and motivation of staff. Training and development remain focused on individual improvement.

At 31 March 2018 the gender of staff employed by the Centre was:

	Male	Female
Directors	2	3
Other Employees	27	16

6. Policy on duration of contracts

The notice period, by either party, for all staff contracts, excluding the Chief Executive, is one month.

7. Staff numbers and related costs

Employee benefits expense	2018	2018	2018	2017
	Permanent £000	Others £000	Total £000	Total £000
Wages and salaries	2,286	11	2,297	2,097
Social security costs	245	1	246	223
Pension	385	1	386	374
Increase/(decrease) in holiday pay accrual	26	–	26	6
Temporary agency staff	–	127	127	126
Total staff costs	2,942	140	3,082	2,826

Staff numbers	2018	2018	2018	2017
	Permanent	Fixed term	Total	Total
Average number of staff for the year				
Administration	8	–	8	9
Operations	15	–	15	15
Presentations	15	–	15	15
Sales and Marketing	11	1	12	11
Total average number of staff	49	1	50	50

8. Details of Directors' service contracts relevant to the cost of early termination

		Years of service at 31 March 2018	Length of notice
Mark Taylor	Chief Executive	5.00	3 months
John French	Finance Director	0.46	1 month
Raj Pragji	H.R. Director	24.75	1 month
Diane Waldron	Sales & Marketing Director	3.24	1 month
Anna Clover	Director Venue Operations & Customer Experience	3.18	1 month

9. Table of remuneration

Details of the remuneration of members of the Management Board and non-executive directors are set out below. None of the members received any benefits in kind. There were no expense allowances and no payments of compensation for loss of office.

Member/ Function	Basic salary 2018 £000	Bonus 2018 £000	Pension Benefits 2018 £000	Total 2018 £000	Basic Salary 2017 £000	Bonus 2017 £000	Pension Benefits 2017 £000	Total 2017 £000
Mark Taylor Chief Executive	115–120	5–10	46	170–175	115–120	10–15	46	175–180
John French Finance (NOTE 1)	55–60	5–10	13	80–85	70–75	5–10	18	100–105
Mark Longford Finance (NOTE 2)	30–35	0	13	45–50	0	0	0	0
Raj Pragji Human Resources	60–65	5–10	14	80–85	60–65	5–10	24	90–95
Diane Waldron Sales	70–75	5–10	27	105–110	65–70	5–10	27	100–105
Anna Clover Venue Operations	70–75	5–10	27	105–110	65–70	5–10	27	100–105
Alison White Non-executive	0–5	0	0	0–5	0–5	0	0	0–5
Simon Hughes Non-executive	5–10	0	0	5–10	5–10	0	0	5–10

(NOTE 1) John French retired on 12th January 2018

(NOTE 2) Mark Longford appointed on 16th October 2017

The Centre is required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Centre's workforce.

The banded remuneration of the highest-paid director in the financial year 2017–18 was £125,000 – £130,000 (2016–17, £130,000 – £135,000). This was 3.22 times (2016–17, 3.86) the median remuneration of the workforce, which was £39,388 (2016–17, £34,311).

In 2017–18, no employees received remuneration in excess of the highest-paid director (2016–17, nil). Remuneration bands ranged from £20,000 – £25,000 to £75,000 – £80,000 (2016–17, £20,000 – £25,000 to £80,000 – £85,000)

Total remuneration includes salary, overtime, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

10. Awards to past senior managers

There were no awards to past senior managers.

11. Details of non cash elements of remuneration

There were no non cash elements of remuneration given to any employee during the year.

12. Table of pension benefits

Pension benefits of members of the Management Board are set out below. The capitalised value of accrued benefits transferable to another scheme is shown under Cash Equivalent Transfer Value, (CETV). Non-executive members accrue no pension benefits from the Centre.

		Accrued pension £000	Accrued lump sum £000	CETV 2018 £000	CETV 2017 £000
Mark Taylor	Chief Executive	10–15	nil	157	118
John French	Finance (retired 12.02.2018)	10–15	nil	247	232
Mark Longford	Finance (appointed 16.10.2017)	0–5	nil	12	0
Raj Pragji	Human Resources	20–25	45–50	302	279
Diana Waldron	Sales & Marketing	5–10	nil	59	40
Anna Clover	Venue Operations	5–10	nil	54	36

The real increases during the year of pension benefits are set out below.

		Accrued pension £000	Accrued lump sum £000	CETV £000
Mark Taylor	Chief Executive	2.5–5	nil	26
John French	Finance (retired 12.02.2018)	0–2.5	nil	11
Mark Longford	Finance (appointed 16.10.2017)	0–2.5	nil	10
Raj Pragji	Human Resources	0–2.5	0–2.5	3
Diana Waldron	Sales & Marketing	0–2.5	nil	13
Anna Clover	Venue Operations	0–2.5	nil	12

13. Amounts payable to third parties for senior manager services

There were no amounts paid during the year to third parties for senior manager services.

14. Expenditure on consultancy

In 2017–18 there was no spend on Consultancy. New proposals for Consultancy projects are subject to business case clearance procedures in line with Cabinet Office guidelines.

15. Off-Payroll

There were no other off-payroll arrangements in 2017–18. There were no off-payroll engagements as of 31 March 2018, for more than £245 per day and that lasted longer than six months.

16. Other employee matters

The Centre is committed to equal treatment in employment and occupation. The Centre is legally required to follow the Civil Service Commission Recruitment Principles of merit, fairness and openness when recruiting staff.

The Centre is committed to the Health and Safety of their staff and a Health and Safety committee meets quarterly to ensure any issues are promptly dealt with. Regular training appropriate for the job role is delivered.

Appraisals identify learning and development opportunities for our staff and identify staff ready for career progression. Pay policy is in line with the Treasury pay policy. The Centre actively engages with employees on a regular basis.



Mark Taylor, Chief Executive
5 November 2018

Statement of the Centre and its Chief Executive's Responsibilities

The functions of the Queen Elizabeth II Conference Centre are set out in Statutory Instrument 933, 1997. Primarily these are to provide conference and related services. A more detailed description of aims, objectives, responsibilities and governance arrangements are set out in a Framework Document issued by the Secretary of State

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Queen Elizabeth II Conference Centre to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. These accounts accord with a Treasury direction dated 19 December 2016. The accounts are prepared on an accruals basis to give a true and fair view of the state of affairs of the Queen Elizabeth II Conference Centre at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Queen Elizabeth II Conference Centre is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation; to observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements; to apply appropriate accounting policies on a consistent basis; to make judgements and estimates on a reasonable basis; to follow applicable accounting standards and to disclose and explain any material departure from those standards.

The Treasury has appointed the Chief Executive of the Queen Elizabeth II Conference Centre as the Accounting Officer for the Trading Fund. The Framework Document defines the duties and responsibilities of the Chief Executive. Further, his relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for the keeping of proper records and for the safeguarding of the Centre's assets are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money.

The Centre and its Chief Executive have taken all reasonable steps to ensure that the auditors have been made aware of all information relevant to their audit, to ensure that there is no relevant information of which the auditors are unaware and to establish that this is so.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



Mark Taylor, Chief Executive
5 November 2018

Parliamentary Accountability and Audit Report

Overview

The Parliamentary accountability and audit report bring together the key Parliamentary accountability documents within the annual report and accounts. This section is subject to audit.

Losses, special payments and gifts

Costs falling into the category of losses, special payments and gifts were below the level, currently £300,000, at which they need to be reported separately for both this financial year and the prior year.

Remote Contingent liabilities

There were no contingent liabilities at 31 March 2018 (2017, none).



Mark Taylor, Chief Executive
5 November 2018

The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Queen Elizabeth II Conference Centre for the year ended 31 March 2018 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Queen Elizabeth II Conference Centre's affairs as at 31 March 2018 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Queen Elizabeth II Conference Centre in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Centre and Chief Executive for the financial statements

As explained more fully in the Statement of the Centre and its Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Queen Elizabeth II Conference Centre's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Queen Elizabeth II Conference Centre's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

8 November 2018

Statement of Comprehensive Net Income

for the year ended 31 March 2018

	NOTES	2018 £000	2017 £000
Revenue	2	14,292	11,526
Depreciation and amortisation	7, 8	(1,652)	(1,431)
Staff costs	3	(3,082)	(2,826)
Other expenditure	6	(6,569)	(5,798)
Operating surplus for the year	2	2,989	1,471
Interest receivable		12	10
Operating surplus for the year after interest		3,001	1,481
Payment to MHCLG		(1,350)	(1,200)
Retained surplus/(deficit)		1,651	281

Notes to the Statement of Comprehensive Net Income:

- i All operations are continuing.
- ii There were no other recognised gains or losses during the year.

The notes on pages 19 to 22 form an integral part of these accounts.

Statement of Financial Position

as at 31 March 2018

	NOTES	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	7	10,063	10,374
Intangible assets	8	3	4
Total non-current assets		10,066	10,378
Current assets			
Trade and other current receivables	9	3,433	3,137
Cash and cash equivalents	10	7,630	4,516
Total current assets		11,063	7,653
Total assets		21,129	18,031
Current liabilities			
Trade and other current payables	11	6,505	5,208
Provisions	12	–	–
Total current liabilities		6,505	5,208
Non-current assets plus net current assets		14,624	12,823
Non-current liabilities			
Deferred revenue	11	667	517
Total non-current liabilities		667	517
Assets less liabilities		13,957	12,306
Taxpayers' equity			
Public Dividend Capital		821	821
General Reserve		13,136	11,485
		13,957	12,306



Mark Taylor, Chief Executive
5 November 2018

The notes on pages 19 to 22 form an integral part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2018

	NOTES	2018 £000	2017 £000
Cash flows from operating activities			
Operating surplus after interest		3,001	1,481
Depreciation and amortisation	7, 8	1,652	1,431
Interest received		(12)	(10)
Loss on disposal of non current assets	7	5	–
Increase/(Decrease) in provisions	12	0	–
(Increase)/Decrease in trade and other receivables	9	(296)	(162)
Increase/(Decrease) in trade and other payables due within one year	11	1,297	362
Increase/(Decrease) in trade and other payables due after more than one year	11	150	(161)
Net cash inflow from operating activities		5,797	2,941
Cash flows from investing activities			
Property, plant and equipment and intangibles purchases	7, 8	(1,345)	(4,275)
Interest received		12	10
Cash flows from financing activities			
Payment to MHCLG		(1,350)	(1,200)
Net increase/(decrease) in cash and cash equivalents		3,114	(2,524)
Cash and cash equivalents at the beginning of the period	10	4,516	7,040
Cash and cash equivalents at the end of the period	10	7,630	4,516

The notes on pages 19 to 22 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

	Public Dividend Capital £000	General Reserve £000
Balances at 1 April 2016	821	11,204
Comprehensive Net Income for the year	–	281
Balances at 1 April 2017	821	11,485
Comprehensive Net Income for the year	–	1,651
Balances at 31 March 2018	821	13,136

The notes on pages 19 to 22 form an integral part of these accounts.

Notes to the Financial Statements

for the year ended 31 March 2018

Note 1

Accounting Policies

These accounts have been prepared in accordance with the Government Trading Act 1973 and the 2017–18 Government Financial Reporting Manual (FReM) issued by the Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Queen Elizabeth II Conference Centre for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Queen Elizabeth II Conference Centre are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The Centre has taken into account and made note below of standards that have an effective date on or after 1st January 2018 (IFRS 9 & 15) and 1st January 2019 (IFRS 16).

1.1 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets to their value to the business by reference to current costs.

1.2 Property, plant and equipment

The freehold title in the land and buildings is held by MHCLG. This is revalued on an existing use basis each year and disclosed in the accounts for the Department net of the Centre's interest in the property. The Centre does invest in structural enhancements to the property which are capitalised as building improvements and valued at depreciated historical cost. Management consider that, in the absence of a readily obtainable market for such items, this provides a suitable approximation for fair value. Non-property assets are re-valued by reference to the cost of modern equivalent assets. Items of furniture, IT and operational equipment valued under £1,000 are written off in the year of purchase. The cost or valuation of a tangible asset is written off on a straight-line basis over its expected useful life from the month of acquisition. Expected useful lives are as follows:

	Life in years
Building improvements	4–15
Furniture	3–10
IT & telecommunications equipment	2–10
Operational equipment	3–10

1.3 Intangible assets

Intangible assets acquired separately are re-valued internally each year by reference to relevant pricing indices published by the government. The cost or valuation of an intangible asset is written off on a straight-line basis over its expected useful life. Items valued under £1,000 are written off in year of purchase. Expected useful lives are as follows:

	Life in years
Computer Software	3–5

1.4 Value added tax

In the financial statements all figures are shown net of recoverable Value Added Tax.

1.5 Income recognition

Income is recognised on the day that a service is provided. Income invoiced less than one year in advance is shown as a current liability. Income invoiced more than one year in advance is shown as a deposit invoiced more than one year in advance.

1.6 Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease receipts under operating leases are recognized as income on a straight-line basis over the lease term.

1.7 Accounting estimates and judgements

The Centre makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other relevant factors. In the future, actual experience may differ from these estimates and assumptions.

1.8 Provisions

The Centre recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met a contingent liability may be disclosed in the financial statements.

1.9 Foreign currency transactions

Amounts paid or received in foreign currency are converted to sterling at the rate ruling on the day of the transaction. Differences on exchange are immediately written off to the Statement of Comprehensive Net Income.

1.10 Insurance

In accordance with Government policy, the Centre is self-insured. Payments in respect of insurable losses are charged to the Statement of Comprehensive Net Income as they occur.

1.11 Pensions

Pension costs are the monthly contributions by the Centre to the Principal Civil Service Pension Scheme, which accepts the liability for the payment of pensions after retirement.

1.12 Production Costs

Production costs (see note 6) represent the direct cost of staging events excluding staff costs and equipment hire.

1.13 New accounting standards in issue but not yet effective or adopted

There are no new accounting standards which are effective for periods beginning after 1 April 2016 that would have a material impact on the Agency's financial statements.

1.14 New accounting standards adopted early

There are no new accounting standards which are effective for periods beginning after 1 April 2017 that would have a material impact on the Centre's financial statements.

The following have not been adopted early in the accounts:

IFRS 9 Financial Instruments: – effective date: accounting periods beginning on, or after 1 January 2018. IFRS 9 introduces a new impairment model for financial assets that is based on expected losses rather than incurred losses. The Centre does not hold any significant financial instruments and therefore the applications of this standard to the Centre is anticipated to have a minimal effect.

IFRS 15 Revenue from Contracts with customers – effective date: accounting periods beginning on or after 1st January 2018. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Centre adopts a policy of recognizing revenue when the final invoice is sent (soon after the event occurs – dated to the date of the event). Therefore, there is no conflict or alteration required in the recognition already in place by the Centre in recognizing revenue after the service has taken place. The application of the standard is anticipated to have minimal impact on the Centre accounting treatment of income.

IFRS 16 Leases – effective date: accounting periods beginning on, or after 1 January 2019. The Centre will be reviewing all existing contracts and operational leases to ensure that when the standard is adopted that we are prepared to provide a true and fair position on the financial statements. The Centre holds very few leases and therefore the application of this standard to the Centre is anticipated to be immaterial.

Note 2

Income analysis

Whilst its principal source of income arises from conference activities, The Queen Elizabeth II Conference Centre also receives income from renting space within and on the Centre. None of the Centre's costs or net assets is identified specifically with the rental activities.

	2018 £000	2017 £000
Income from conference activities	14,034	11,269
Other rental income	258	257
Income from operating activities	14,292	11,526
Surplus on conference activities	2,731	1,214
Surplus on rental activities	258	257
Operating surplus for the year	2,989	1,471

Note 3**Staff numbers and related costs****Employee benefits expense**

	2018 Permanent £000	2018 Others £000	2018 Total £000	2017 Total £000
Wages and salaries	2,286	11	2,297	2,097
Social security costs	245	1	246	223
Pension	385	1	386	374
Increase/(decrease) in holiday pay accrual	26	-	26	6
Temporary agency staff	-	127	127	126
Total staff costs	2,942	140	3,082	2,826

Staff numbers

	2018 Permanent	2018 Fixed term	2018 Total	2017 Total
Average number of staff for the year				
Administration	8	-	8	9
Operations	15	-	15	15
Presentations	15	-	15	15
Sales and Marketing	11	1	12	11
Total average number of staff	49	1	50	50

Note 4**Pension costs**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and therefore the Queen Elizabeth II Conference Centre is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Note 7**Property, plant and equipment**

	Building Improvements £000	IT & Telecoms Equipment £000	Operational Equipment £000	Furniture £000	Total £000
Cost or Valuation					
At 1 April 2017	11,449	622	3,000	1,148	16,219
Additions	72	232	1,034	7	1,345
Disposals	(1,009)	(53)	(119)	(10)	(1,191)
At 31 March 2018	10,512	801	3,915	1,145	16,373
Depreciation					
At 1 April 2017	3,204	445	1,792	404	5,845
Charge for year	1,000	118	433	100	1,651
Disposals	(1,009)	(49)	(118)	(10)	(1,186)
At 31 March 2018	3,195	514	2,107	494	6,310
Net book value					
At 1 April 2017	8,245	177	1,208	744	10,374
At 31 March 2018	7,317	287	1,808	651	10,063

Included within the cost of property, plant and equipment are fully depreciated assets with a cost of £1,841,264 (2017, £1,603,761). The majority of these assets are used as back-up when equipment in use malfunctions and are not in regular day to day use.

	Building Improvements £000	IT & Telecoms Equipment £000	Operational Equipment £000	Furniture £000	Total £000
Cost or Valuation					
At 1 April 2016	8,020	553	2,596	1,207	12,376
Additions	3,621	81	566	3	4,271
Disposals	(192)	(12)	(162)	(62)	(428)
At 31 March 2017	11,449	622	3,000	1,148	16,219
Depreciation					
At 1 April 2016	2,495	368	1,612	367	4,842
Charge for year	901	89	342	99	1,431
Disposals	(192)	(12)	(162)	(62)	(428)
At 31 March 2017	3,204	445	1,792	404	5,845
Net book value					
At 1 April 2016	5,525	185	984	840	7,534
At 31 March 2017	8,245	177	1,208	744	10,374

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Employers' contributions of £385,576 (2016-17 £374,379) were payable to the PCSPS at one of four rates in the range based on salary bands of 20.0 to 24.5% of pensionable pay. Rates in 2018-19 are in the range of 20.0 to 24.5 % of pensionable pay.

Note 5**Remuneration of the Management Board**

Details of the remuneration and pension benefits of members of the Management Board are given in the Remuneration and Staff Report.

Note 6**Other expenditure**

	2018 £000	2017 £000
Maintenance and cleaning	2,108	1,859
Sub-contracted services	1,136	1,092
Production Costs	1,180	912
Utilities	498	604
Rates	559	516
Equipment hire	280	191
Advertising and marketing	275	242
Travel and subsistence	112	95
Auditor's remuneration	40	37
Entertaining	27	30
Self-insurance losses	25	89
Other costs	206	136
Non-cash items		
Provision for doubtful debts	123	(5)
Total	6,569	5,798

Note 8**Intangible assets**

	Computer Software £000
Cost or Valuation	
At 1 April 2017	118
Additions	0
Disposals	–
At 31 March 2018	118
Amortisation	
At 1 April 2017	114
Charge for year	1
Disposals	–
At 31 March 2018	115
Net book value	
At 1 April 2017	4
At 31 March 2018	3
Cost or Valuation	
At 1 April 2016	114
Additions	4
Disposals	–
At 31 March 2017	118
Amortisation	
At 1 April 2016	114
Charge for year	–
Disposals	–
At 31 March 2017	114
Net book value	
At 1 April 2016	–
At 31 March 2017	4

Note 9**Trade and other current receivables**

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade receivables	3,253	2,972
Prepayments and accrued income	163	140
Other receivables	17	25
	3,433	3,137

Note 10**Cash and cash equivalents**

Government Banking Service	5,742	4,031
Commercial banks and cash in hand	1,888	485
	7,630	4,516

Note 11**Trade and other current payables**

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade payables	529	204
Value Added Tax	558	454
Other taxes and NI	102	99
Accruals and deferred income	1,992	1,819
Deposits invoiced in advance	3,303	2,632
Other payables	21	–
	6,505	5,208
Deferred revenue due in over one year:		
Deposits invoiced in advance	667	367
Advanced receipt from Compass Group/Leiths' Group	–	150
	667	517

Deposits invoiced in advance at 31 March 2018 includes invoices totalling £1.66m (2017 £1.35m) that were still outstanding for payment and are included in trade receivables (note 9).

Note 12**Provisions for liabilities and charges**

Due within one year	–	–
Compensation Claims	–	–

Note 13**Operating leases**

The Centre leases out certain facilities under operating leases. Office space is let under a short-term arrangement with a three-month notice period for either party, car park spaces are let on annual leases and longer-term lease arrangements are in place for roof space to house telecommunications equipment.

	£000	£000
Future minimum lease receipts		
Not later than one year	51	49
Later than one year and not later than five years	55	55
Later than five years	33	61
	139	165

Note 14**Financial instruments**

Short-term debtors and creditors have been excluded from this disclosure. The fair values of the Centre's financial assets and liabilities at 31 March 2018 are as follows.

	Book value £000	Fair value £000
Financial assets		
Cash at bank and in hand	7,630	7,630
Financial liabilities		
Deferred revenue	(667)	(667)

Note 15**Financial risks****Liquidity risk**

The levels of capital expenditure and MHCLG payment are both managed to be met from available cash balances. The Centre is reliant on the liquidity of MHCLG to meet a major insurable loss.

Credit risk

The level of credit risk is managed by a credit vetting process which is undertaken for all clients using the Centre. In general, the terms and conditions of contract require payment of room hire prior to the date that the event takes place. Accordingly, credit risk is considered to be low.

Interest rate risk

55% of net assets, (assets less liabilities), is in the form of cash on deposit, earning interest at a rate that varies broadly in line with the Bank Rate.

Foreign currency risk

The Centre has no significant exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

Note 16**Capital commitments**

At 31 March 2018 the Centre had no contracts for expenditure on property, plant and equipment (2017, nil).

Note 17**Related party transactions**

The Queen Elizabeth II Conference Centre is an Executive Agency of MHCLG, which is regarded as a related party. There were transactions with the Department during the year to the total value of £2,546 (2017, £2,160).

At 31 March 2018 there was a nil balance in trade creditors outstanding with the Department (2017, nil).

There were many normal business transactions with other Government bodies, amounting to significant value in the cases of the Cabinet Office and the Parliamentary Estates Directorate.

No Director, key manager or other related party has undertaken any material transaction with the Centre during the year. Compensation for key management personnel is disclosed in the remuneration report.

Note 18**Memorandum Account for the year ended 31 March 2018**

MHCLG incurs costs as owner of the building. The following account incorporates these costs with the results of the Centre.

	2018	2017
	£000	£000
Surplus for the financial year after interest per Statement of Comprehensive Net Income	3,001	1,481
Deduct expenditure incurred by owner of the building	(9)	(8)
Notional net surplus for the financial year	2,992	1,473

MHCLG did not incur any capital expenditure on the building during the financial year (2017 nil).

Note 19**Financial performance indicators**

The Queen Elizabeth II Conference Centre is set performance targets annually by the Secretary of State for Housing, Communities and Local Government. The financial target and the actual outturn are given below.

	2018	2018	2017	2017
	Target	Actual	Target	Actual
	£000	£000	£000	£000
Contribution to MHCLG	1,350	1,350	1,140	1,200

Note 20**Commitments under leases**

The Centre operates its business in accordance with its Trading Fund agreement. The conference building is not owned by the Centre and the Centre does not have a formal lease with the landlord, MHCLG, and accordingly does not pay rent. However, under the terms of a framework document published in March 2003 the minimum dividend payable by the Centre is determined by the capital charge that applies to the building and 6% of the average capital employed. However, following the adoption of international accounting standards, the building is treated as an investment asset by MHCLG and accordingly capital charges do not apply.

The calculated minimum dividend could be deemed to be a quasi-rental and estimates of annual current commitments are as follows:

	2018	2017
	£000	£000
Amounts falling due within one year	788	735
Amounts falling due after one year but within five years	3,152	2,938

As there is no formal lease there is no term to the commitment and it is not possible to arrive at a definitive figure for the commitment beyond 5 years.

Note 21**Events after the reporting period**

Under IAS10 the Centre is required to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date that the Comptroller and Auditor General certified the accounts. There have been no material events requiring disclosure between the end of the financial year and the authorised date of issue of these accounts.

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